

Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Cold-Rolled Products (#4)

(a)	Product Designation/HTS	<u>Band Saw Steel</u> 7226.99.00.00
(b)	Product Description	Nominal thickness: 1.07mm<=T<=3.05mm Width: 130mm<W<413mm Chemical composition: C(0.67-0.80), Si(0.20-0.35), Mn(0.30-0.50), Ni(1.90-2.20), Cr(0.10-0.20), P(<=0.03), S(<=0.015), Cu(<=0.15).
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

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Julia K. Eppard (202-429-4709, jeppard@willkie.com)
Willkie Farr & Gallagher

Cold-rolled steel used in the production of band saws is a very specialized type of steel that is not produced in the United States, and should be excluded from any remedy issued in this investigation. Although some band saw steels are already excluded from this 201 investigation,¹ other types of such steel are likewise unavailable for domestic producers.

Band saws require steel of extremely high quality and durability. Band saws are made to very strict tolerances, and by necessity require a high-carbon steel that is heat-treated, tempered and has a consistent molecular structure. Band saw manufacturers must source the highest quality materials, because the lumber industry continues to tighten its requirements for band saws, demanding a thinner band saw for purposes of reducing waste product (saw dust). James Ruthven of Pacific Hoe Saw & Knife Co. stated, “[i]t must be very flat, perfectly straight, and consistently level ... These properties also must be consistent over the full length of the coil, [that] ... can be over 500 to 600 feet, so it is crucial to have a consistently high-quality producer.”² Because of the exacting specifications, it is a difficult type of steel to produce. This is evidenced by the fact that no domestic steel producers have been successful in manufacturing a steel product that meets the high-quality and exacting specification necessary for band saw

¹ See USTR Request Letter to USITC, June 22, 2001, Annex.

² See Affidavit of Mr. James Ruthven, Vice President of Pacific Hoe Saw & Knife Co. (**Attachment D**).

manufacturing. Mr. Ruthven explains that, “In my memory, there have been no recent attempts by the U.S. industry to make this type of cold-rolled steel.”³

Another band saw manufacturer, Paul Russo, of International Knife & Saw Inc., asserted that he is relegated to sourcing “cold-rolled steel for band saws from Sweden and Japan because we have not been able to certify a domestic supplier for this steel.”⁴ [⁵] Ken Myer of Simonds Industries explained that they tried to certify Nedwick Steel. However, the steel failed to meet Simond’s specifications. Nedwick Steel agreed that its steel was not sufficient and refunded Simonds Industries for the cost of the steel.⁶ Simonds Industries is eager to certify Nedwick Steel, and has informed them that they are willing to do another trial when Nedwick’s steel is ready. As of yet, Nedwick Steel has not been able to produce band saw steel to meet the band saw manufacturers’ specifications.

Other band saw manufacturers like Fred Pickard, President of Oleson Saw Technology, have stated that “{w}e would love to buy this steel from the U.S. domestic steel producers... Having a domestic supplier would allow us to keep a consistent and predictable inventory available for our manufacturing. However, U.S. steel companies have decided not to produce this product.”⁷ Ken Myer, of Simonds Industries would like to purchase this band saw steel domestically because Nedwick Steel’s material is priced *cheaper* than the imported steel. However, neither Nedwick nor any other domestic mill is able to manufacture band saw steel that meets their specifications. As evidenced by the repeated attempts to certify a domestic supplier, band saw manufacturers would be purchasing domestic steel if it was available.

This steel is very difficult to produce. As Mr. Ken Myer of Simonds Industries explains:

{t}his is a high-carbon steel that is heat-treated, tempered, and polished. It has to be able to bend and withstand a tremendous amount of pressure. The saw is bent around two wheels. These wheels stretch the blade and apply from 10,000 to 20,000 pounds per square inch of pressure. We require a very specific chemistry to prevent this blade from breaking and not only stopping production in the mill but also potentially injuring the workers.⁸

Along with International Knife & Saw, Pacific Hoe, Saw & Knife and Oleson Saw Technology, Simonds Industries has also been unable to source product from a domestic supplier that meets the strict quality and tension specifications necessary for the production of band saws.

³ *Id.*

⁴ See Affidavit of Mr. Paul Russo, Director of Supply Chain Management, International Knife & Saw Inc. (**Attachment D**).

⁵ []

⁶ See Affidavit of Ken Myer, Vice-President of Procurement of Simonds Industries (**Attachment D**).

⁷ See Affidavit of Mr. Fred Pickard, President of Oleson Saw Technology (**Attachment D**).

⁸ See Affidavit of Mr. Ken Myer, Simonds Industries (**Attachment D**).

Furthermore, imported band saw steel is typically more expensive than U.S. cold-rolled steel. As shown in **Attachment B**, the unit price for band saw steel from Japan ranged from [] to [] during the period of investigation. Compare these prices to pricing data collected by the Commission for selected pricing products, which are intended to be representative of U.S. prices of cold-rolled steel products in general.⁹ This attachment demonstrates the significant overselling of this specialty product imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

The availability issue is further compounded by the impact that Canadian imports of band saws have had on the U.S. band saw industry. Even before the economic slow-down in the United States, Canadian band saw manufacturers were continuously driving down prices of band saws in the United States.¹⁰ With the American dollar increasing in value relative to the Canadian dollar, Canadian imports are even cheaper and Canadian manufacturers of band saws are able to undercut U.S. manufacturers to an even greater degree. If increased duties were applied to band saw steel then it would effectively drive these band saw manufacturers out of business. These sentiments are expressed among all of the U.S. band saw producers. They want to keep their business in the United States and not move them to cheaper locations, such as Mexico. Simonds Industries explained their situation:

Foreign competition in our own product markets is already killing our industry here in the U.S. If costs continue to increase for us, we would need to consider seriously moving manufacturing to areas of the world more conducive to manufacturing.¹¹

The Commission should take this factor into account in order to craft a remedy that does more good than harm to the U.S. producers and consumers of steel.

U.S. manufacturers of band saws can only source this steel from foreign countries, such as Japan. Even if Nedwick Steel were able to produce band saw steel that would meet its purchasers' specifications, it would not be able to meet domestic demand. Also, it is unreasonable to expect these band saw manufacturers to rely on one monopolistic domestic producer. Including this specialized product would not help the domestic steel industry, because they do not manufacture the product. Restricting the product will only harm domestic consumers who are forced to rely on foreign sources for the cold-rolled band saw steel. The USTR should avoid any such adverse consequences and recommend that band saw steel be excluded from any potential safeguards remedy.

⁹ See ITC's Staff Report at Tables FLAT-70, FLAT-71 (public version).

¹⁰ See Affidavit of Mr. James Ruthven, Vice-President of Pacific Hoe Saw & Knife Co. (**Attachment D**).

¹¹ See letter from David Witman, general counsel to Simonds Industries (**Attachment E**).

Attachment A

Foreign Producers

(1) Kawasaki Steel Corporation

- Address: Hibiya Kokusai Bldg., 2-3, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
- Phone: 011-81-3-3597-4019
- Fax: 011-81-3-3597-3749

(2) Daido Steel Co., Ltd.

- Address: 7-13, 1-chome, Nishi-shinbashi, Minato-ku, Tokyo 106-5403, Japan
- Phone: 011-81-3-3501-8660
- Fax: 011-81-3-380-7864

Domestic Producers

- No Known Domestic Producers (Note: Nedwick Steel is attempting to make band saw steel but has failed to be certified by multiple purchasers.)

COLD-ROLLED**Band Saw Steel**

Quantity						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0
]												
Value *						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[	1,570,578	2,333,858	3,243,660	2,743,126	2,343,223	1,226,867	791,656	2,343,223	2,343,223	2,536,136	2,536,136	2,343,223
Total	1,570,578	2,333,858	3,243,660	2,743,126	2,343,223	1,226,867	791,656	2,343,223	2,343,223	2,536,136	2,536,136	2,343,223
]												
[Unit Price	3,116	3,039	3,009	2,788	2,959	2,963	2,771]				
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0
Imports from Other												
Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S.												
Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

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**AFFIDAVIT OF KEN MYER
Vice President of Procurement
SIMONDS INDUSTRIES INC.**

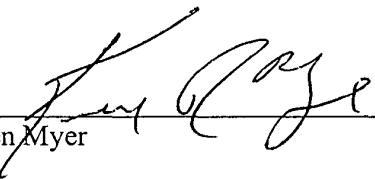
I, Ken Myer, declare the state to the best of my knowledge, information, and belief, that:

1. I am the Vice President of Procurement for Simonds Industries Inc. in Fitchburg, Massachusetts. Simonds Industries is a 169-year-old United States manufacturing company for industrial cutting tools. I have worked for Simonds and have been involved in the wood cutting industry for almost 30 years. I have been purchasing cold-rolled steel for band saws for over 15 years. One hundred percent of our band saw production relies on imported cold-rolled steel for band saws, because no U.S. mill can or will produce band saw steel. We purchase it from both Sweden and Japan, because we have not been able to find a domestic producer that will meet our specifications. Our band saws are used in the saw mill industry to cut logs into lumber. This is a very specialized type of steel and there is very small demand for it worldwide. That is why there are so few producers of this steel.
2. This is a high-carbon steel that is heat-treated, tempered, and polished. It has to be able to bend and withstand a tremendous amount of pressure. The saw is bent around two wheels. These wheels stretch the blade and apply from 10,000 to 20,000 pounds per square inch of pressure. We require a very specific chemistry to prevent this blade from breaking and not only stopping production in the mill, but also potentially injuring the workers. The two wheels stretch the blade very tight and it is only this pressure that keeps the saw on the wheels. The wheels stretch the center of the blade longer than both of the sides in order to keep it on the wheels. Because of the high demands that are placed on this saw, it requires a consistent molecular structure throughout the saw. When making a band saw, we must stretch and flatten the band saw steel until it is very thin and flat. It is important that the material stretches evenly across and it must stay very flat. There are very tight specifications on these band saws. Virtually no steel mill can make the steel straight enough, so we must straighten it before making the band saws.
3. To our knowledge there is no substitute to this steel for this industrial wood cutting application.
4. The only domestic supplier that has ever shown any interest in manufacturing this product was Theis Precision Steel in Bristol, Connecticut. They were unable to correctly manufacture this product, due to furnace capability restrictions. Theis is, in fact, our largest supplier of strip steel for other products manufactured by Simonds.

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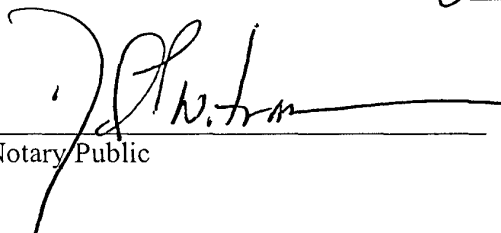
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5. We in the industrial wood cutting business have been in a recessionary period since mid-2000. Any increase in duty on this product will impact the competitiveness of our product against other technologies for cutting wood.
6. There is no U.S. producer who makes band saw steel. Placing tariffs and quotas would not help the domestic producers, because there are no domestic producers. Tariffs and quotas would only hurt our business as well as all of the U.S. band saw operations. Band saw steel is a specialty product that should be excluded from this Steel 201 investigation.


Ken Myer

10/25/01
Dated

Subscribed and sworn to before me this 25th day of October, 2001


Notary Public

My commission expires: _____

DAVID P. WITMAN
NOTARY PUBLIC
MY COMMISSION EXPIRES 9/3/04

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AFFIDAVIT OF PAUL RUSSO

DIRECTOR OF SUPPLY CHAIN MANAGEMENT, INTERNATIONAL KNIFE & SAW INC.

I, Paul Russo, declare and state to the best of my knowledge, information, and belief, that:

1. I am the Director of Supply Chain Management for International Knife & Saw, Inc. in Erlanger, Kentucky. Our plants that produce band saws are located in McMinnville, Oregon and Camden, Alabama. We have been producing band saws for over twenty years. International Knife & Saw is one of the largest producers of band saws in the United States, employing approximately 50-75 people in the production of band saws.

2. We must purchase our cold-rolled steel for band saws from Sweden and Japan because we have not been able to certify a domestic supplier for this steel. I believe that cold-rolled band saw steel is a very small segment of the steel industry and there are very few producers of this specialty steel world-wide. [

]

3. [

]

4. Bands saws are made to very strict tolerances and must be of a very high quality to meet our customers' demands. If the saw is not completely straight and flat, the saws would not cut straight, which is the purpose of a "quality" saw. This will slow down their production and decrease their efficiency. The saw is an integral part of the lumber cutting business and they need their saws to function at 100% capacity. This is a competitive industry and we believe that we will lose customers to other band saw producers if we are not able to provide a consistently high-quality product.

5. [

]

6. [

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7. [

8. An even more important consideration is that we are competing with Canadian band saw manufacturers. They are constantly trying to undersell us to our customers. Frequently our customers come to us and ask us to lower our prices to beat the Canadian prices. If tariffs or quotas are placed on our imports of band saw we will be caught in the middle. [

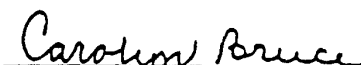
] Yet, we will not be able to raise our band saw prices to our customers because the Canadians will be able to keep them low, at their current prices. We believe that we will at best lose business and at worst be forced out of business.

9. The steel that goes into making band saws counts for approximately 50% of the cost of goods sold. Therefore, a 20% increase in the price of the steel will raise the cost for us to manufacture the saw by 10%. We are already operating at low profitability margins due to the Canadian band saw manufacturers undercutting our prices. If the price of the cold-rolled steel were increased any further, we believe that we would begin to lose money. Placing duties or quotas on cold-rolled steel for band saws may only serve to hurt domestic band saw producers and drive us out of business. This highly specialized cold-rolled steel should be excluded from this 201 investigation.


Paul Russo

10/26/01
Dated

Subscribed and sworn to before me this 26th day of October, 2001.


Notary Public

My commission expires:

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Carolyn Bruce
Notary Public, State of Indiana
My Commission Expires May 15, 2003

**AFFIDAVIT OF FRED PICKARD
PRESIDENT, OLESON SAW TECHNOLOGY**

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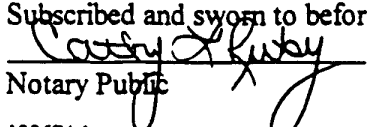
I, Fred Pickard, declare and state to the best of my knowledge, information, and belief, that:

1. I am the President of Oleson Saw Technology in York, Pennsylvania. I have been purchasing cold-rolled steel for band saws for over forty years, and throughout that time no U.S. steel company has ever produced this product. We can only purchase this product from three countries, which include Japan, Sweden, and France. Approximately 75-80% of band saw steel that we purchase comes from Japan, and the remainder from Sweden's Uddeholm Steel Co. Uddeholm Steel is currently the largest producer in the world of this type of cold-rolled steel for band saws.
2. Cold-rolled steel for band saws is used to manufacture band saws that are used in the primary wood industry. The wood industry uses our saws to make trees into boards. This is a very specialized type of steel. It has very stringent tolerances with respect to its thickness, straightness, and finish. It is an alloy steel with two percent nickel. This nickel allows us to form the teeth of the saws in a way that we would not otherwise be able to do. Band saw cold-rolled steel is pre-hardened and heat-tempered to give it strength and durability. Japan is the best source that we have to offer us consistently high-quality cold-rolled steel for band saws.
3. It is very unlikely that this type of steel would be used for other purposes because it is so expensive. This type of steel sells for twice the cost of other heat-treated cold-rolled steel. The reason it is so expensive is because it is an alloy, and must be made to strict specifications for this specific application.
4. We would love to be able to buy this steel from the U.S. domestic steel producers. Even though the Japanese steel is a very high-quality product, there are problems that could arise due to the length of the transport from Japan to the United States. Having a domestic supplier would allow us to keep a consistent and predictable inventory available for our manufacturing. However, U.S. steel companies have decided not to produce this product. Usually, these companies deal with orders that are tens of thousands of pounds of steel. Orders for this type of steel do not come in such large quantities. Even though it is a very expensive and specialized steel to buy, the U.S. steel companies will not produce it.
5. Cold-rolled steel for band saws should not be included in this investigation. Oleson Saw Technology has to be able to import this type of steel to stay in business. With the current slowdown of the economy, increasing duties on this type of steel would hurt our business and profitability. Since no domestic steel companies produce this type of steel, this item should be excluded from the 201 steel investigation.


Fred Pickard

Dated: 9/7/01

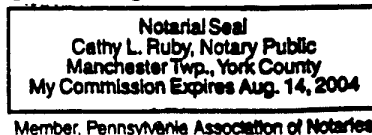
Subscribed and sworn to before me this 7 day of September, 2001.


Notary Public

My commission expires: August 14, 2004

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AFFIDAVIT OF
JAMES RUTHVEN
VICE PRESIDENT, PACIFIC HOE SAW & KNIFE CO.

I, James Ruthven, declare and state to the best of my knowledge, information, and belief, that:

1. I am Vice President of Pacific Hoe Saw & Knife Co. of Portland, Oregon. We produce circular saw blades and band saws for the primary side of the lumber industry. [] I have been purchasing steel for 18 years and both [] have been my most consistent suppliers. I purchase my steel for saw blades from [] and my steel for band saws from []. In fact, there is no cold-rolled steel for band saws even produced in the United States.
2. Cold-rolled steel for band saws is used for making band saws for the lumber industry. Band saw manufacturers are the only ones that purchase this particular type of steel. The lumber mills have been raising the standard for the band saws that they purchase because the cost of the logs has risen. They are now demanding a thinner product so that when the blade cuts the log, less sawdust is produced, thereby increasing their efficiency. In fact, the lumber industry has tightened all specifications for band saws so as to purchase the highest quality product.
3. Because of the lumber industry's demands for a thinner blade, we have had to raise our specifications for the cold-rolled steel we purchase to make band saws. The thinner the blade, the higher the quality of steel that must be used. There are tight specifications for this steel and tight tolerances. It must be very flat, perfectly straight, and consistently level. It must also be consistent on width and can only vary one to two points on the Rockwell Scale for hardness. These properties also must be consistent over the full length of the coil. These cold-rolled coils can be over 500 to 600 feet, so it is crucial to have a consistently high-quality producer.
4. Cold-rolled steel for band saws is not produced in the United States. We must purchase it from [] in Japan. About 15 to 16 years ago, some domestic industries attempted to produce this product, but were unsuccessful. In my memory, there have been no recent attempts by the U.S. industry to make this type of cold-rolled steel. [] has been a consistent and dependable producer of cold-rolled steel for band saws for us for over 17 years.
5. With respect to the hot-rolled steel we purchase, the major U.S. producer that made hot-rolled steel for saw blades (Sharon Steel) left the industry around 7-8 years ago. We replaced Sharon Steel with [] as a supplier of saw blades and now depend on [] consistent quality. Acme had been producing some hot-rolled steel for saw blades, however, they are in bankruptcy. Because of the nature of this business, we develop long-term relationships with the suppliers and need suppliers that are dependable and will continue to be able to provide us steel years from now. [] produces a

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consistently high-quality product and is a dependable supplier of hot-rolled steel for saw blades.

6. [] saw blade steel is produced to tight tolerances for flatness. The circular saws we produce require very flat material. [] product is flat across the sheet, resulting in less waste. In addition, the flatness facilitates heat treatment, which allows us to harden the steel. Clearly, a harder steel results in a more durable saw blade that stands up to the heavy duty use by the lumber industry.

7. We have purchased a small quantity of saw blade steel from a U.S. producer, Acme, but only thicker steel that is not available from []. Nonetheless, we rely on [] as our primary steel supplier because it can produce the high quality material we require. If [] offered the thicker sheets we would buy them from [] because of their consistently high quality.

8. I believe that the U.S. steel industry is not injured by imports of this products because, frankly, the U.S. industry does not produce these products. None of them produce cold-rolled steel for band saws, and [] is the only one that has been able to consistently and dependably produce hot-rolled sheet for the saw blades. Both [] hot-rolled steel sheet and [] cold-rolled band saw steel are essential to my business. I respectfully request that the Commission exclude these products from its investigation.

James Ruthven
James Ruthven

Dated: *September 7, 2001*

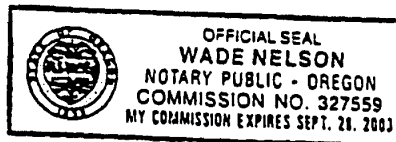
Subscribed and sworn to before me this 7th day of September, 2001.

Notary Public

Waide Nelson

My commission expires:

9/28/03



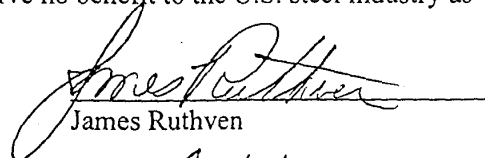
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AFFIDAVIT OF JAMES RUTHVEN,
VICE-PRESIDENT, PACIFIC HOE SAW & KNIFE CO.

I, James Ruthven, declare and state to the best of my knowledge, information, and belief, that:

1. I am the Vice-President of Pacific Hoe Saw & Knife Co. of Portland, Oregon. We produce circular saw blades and band saws for the primary side of the lumber industry. This affidavit is a supplement to the affidavit that was submitted in the prehearing injury briefs for *Specialized Hot-Rolled Products: Product #3* and *Specialized Cold-Rolled Products: Product #4*. I write this supplement because there have been some serious new developments in the saw blade and band saw industry that have tremendous implications on my business and those industries as a whole.
2. Last week, Acme Metals announced that it will be shutting its doors and stopping production. They are the only other supplier of saw blade steel in the United States. Now, there is no domestic producer that is able to supply us the necessary quality and sizes we need to produce our saw blades. We are solely dependent upon imports to provide us the steel for both our circular saw blades and our band saws.
3. As this case has progressed, the economy has continued to worsen and the American dollar has continued to become stronger than the Canadian dollar. Even before this economic slump, we were already fighting cheap Canadian imports of saw blades. Now that the American dollar is stronger, this competition has increased dramatically. If we were forced to pay more for our steel, this would only serve to put us at a strategic disadvantage to the Canadian saw blade and band saw producers.
4. [] Any increase in duties on high-carbon hot-rolled alloy steel for circular saw blades would severely hinder our operations. []
5. [] In total, approximately 97% of our raw steel materials are not produced in the United States, and yet, are under the scope of this Steel 201 investigation. Putting quotas or duties on these types of steel would only serve to cripple Pacific Hoe Saw & Knife, and would serve no benefit to the U.S. steel industry as there is no U.S. producer of this steel.


James Ruthven

Dated: October 26, 2001

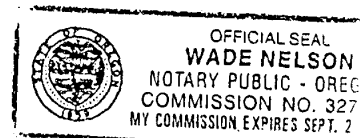
Subscribed and sworn to before me this 26 day of October, 2001.


Notary Public

My commission expires:

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9/28/03



NOT CAPABLE OF SUMMARY